

The Corner Store

Investing in a “Sense of Place”

By Carolina Reid

When Aregawi first came to the United States in 1993, he quickly realized he was a long way from his hometown of Addis Ababa. Arriving to San Francisco’s dense fog and chilly night sky in the middle of summer, the first shock was the weather. The second was the paucity of living wage jobs available to him, despite his engineering degree from Ethiopia. “[The ministry that helped us come to the U.S.] provided us with housing and living assistance, but the job counselors kept pointing me towards jobs in janitorial services or the food industry. I kept thinking that cleaning toilets would not make me a better life. I wanted to start my own business. It was my dream. It’s how you become rich in America.”

Aregawi followed his dream, and today he owns two businesses, an airport limo service and a small Ethiopian grocery store on a “tough street” in the Bay Area. The businesses help him to support his family, but he is still a long way from striking it rich; indeed, the family relies on his wife’s earnings as a nanny to make ends meet, and they offset the cost of housing by living with other members of his family. The romantic vision of entrepreneurship is long gone. “My limo service does well. I now have three cars and two people working with me to help take calls at busy times. But it’s not an easy work. Most of the time I’m working late at night or early in the morning, and always on weekends. I can’t turn off the phone; every call we have to take or we might not make it [financially].”

The store has been a particularly difficult business to sustain. The monthly rental costs eat away at most of the sales receipts, and it has been a challenge to retain employees. Aregawi hires members of the local Ethiopian community and generally draws his employees from a vast social network of family and friends, but he can’t pay salaries that match the cost of living in the Bay Area. Aregawi talks frankly about needing to sell the place unless business picks up soon. “The business is important for our community—so that we can maintain some of the cultural aspects of our country through our meals and holidays—but I don’t know if I can keep waiting to see if business will improve. It might be easier for us if we sold it.”

Aregawi isn’t your typical entrepreneurial “success story,” but his story may reflect a more truthful depiction of the difficulties of starting and sustaining a small business.

While the idea of entrepreneurship is beguiling—particularly when contrasted with the daily nine-to-five grind so acerbically portrayed in Dilbert cartoons—running a small business is not an easy job. The hours are long, the upfront capital needs are high, and the risks that the owner has misjudged market demand or the costs of operation are very real. In addition, most research on entrepreneurship shows that the majority of low-income entrepreneurs realize only modest financial returns from their businesses.¹ While the micro-enterprise field has demonstrated success in helping to alleviate poverty—particularly when entrepreneurs have access to strong training and technical assistance—the financial returns to entrepreneurship are not overwhelmingly strong. A recent study by the Aspen Institute, for example, found that while some businesses did very well, overall the median revenue for businesses was relatively low at \$20,000. Forty-three percent of the full-time business owners surveyed in the study reported drawing less income from their business than what they would have earned in full-time minimum wage work.²

Yet there’s another dimension to microenterprise that is at least as important as helping to advance financial self-sufficiency. As I walk down the “tough street” of Aregawi’s shop, it’s hard not to notice the positive changes in the neighborhood, even though these impacts may not be reflected on his balance sheet. When Aregawi opened his store three years ago, his was the only shop on a block filled with abandoned buildings and graffiti sprayed walls. Trash collected in doorways and the paint on metal safety grills was chipped and faded. Today, there are visible signs of revitalization; an Ethiopian restaurant has opened nearby, as has a bakery. Two of the residential buildings on the block are undergoing renovation, and the storekeepers have developed a local partnership to keep the street clear of trash and to plant seasonal flowers in the once-barren dirt patches on the sidewalk.

By filling a once vacant storefront, bringing in goods and services, and creating a couple of jobs, Aregawi’s shop has become a community asset that is supporting the broader process of neighborhood revitalization. As Mihailo Temali, Executive Director of the Neighborhood Development Center in Minneapolis and author of *The Community Economic Development Handbook*, argues, microenterprises are important “pivot points” in a community, in that they are

small investments that can catalyze much greater change.³ Lisa Servon, Senior Research Fellow at the New America Foundation, has similarly emphasized that microenterprise can serve a dual role by not only promoting the social welfare of individual households, but also by fostering community economic development. As such, microenterprise development is both a “people-based” and “place-based” strategy. Evaluating the merits of microenterprise development programs on income improvement alone likely underestimates the impact that small businesses have in improving the well-being of low-income households and communities.⁴

The idea that microenterprise can serve as the basis for economic growth and revitalization is gaining traction in the field. In particular, it is emerging as a viable economic development strategy in rural communities and on tribal reservations.⁵ Arguably, in a dense urban center, workforce development and assistance in securing a living wage job may be a safer choice for helping a family move out of poverty. But in many rural communities, jobs are scant. Economic anchors like local banks and “Main Street” businesses have disappeared, and the consolidation of farms has led to a loss of local employment opportunities in agriculture. As a result, families who do not wish to leave these communities are increasingly relying on self-employment and microenterprise as a way to supplement their incomes.⁶ These small businesses are “assets” in the same way that Aragawi’s shop is an asset to the low-income neighborhood in the city.


Partners for Prosperity, a nonprofit organization serving sixteen counties in Eastern Idaho and the Fort Hall Indian Reservation, has made entrepreneurship a linchpin of its community development strategy. The organization embarked upon an ambitious effort to understand the challenges facing poor rural areas, visiting local places and asking residents what they felt it would take to reduce poverty in their communities. Rather than asking “what’s missing?” Partners for Prosperity focused their questions on “what’s already here that we can help to support and grow?” What they found was a wide variety of cottage industries that were helping families make ends meet and serving as an important cultural anchor for residents. Jessica Sotelo, the Executive Director of the organization, noted, “The residents we spoke with articulated the important cultural identity that goes along with living in a rural community, a ‘sense of place’ that residents felt it was very valuable to maintain.”

As a result of this planning process, Partners for Prosperity has focused its rural economic development strategy on entrepreneurship rather than on attracting, for instance, a new ethanol factory or manufacturing plant. Helping existing informal enterprises grow and reach new markets—for example, by helping them to connect to a global market through e-commerce, by providing access to capital, or by building a network to new distribution channels—can deliver benefits not only to the business owner, but also to the surrounding community. “It’s incredibly empowering to watch a small Latino bakery tap into a statewide market through

a partnership with a grocery chain,” says Sotelo. “Not only do they increase their own income, but they create jobs locally. We’re helping cottage industries to become viable businesses, drawing on local strengths and interests. Rather than feeling trapped by the whims of big businesses, the feeling is ‘I get to stay here and do what I love to do, and make a living at it.’” Sotelo points out that this type of strategy is an effective use of public funding because it builds on assets that already exist. “The business is already happening, and the families have been innovative in using their savings or EITC refund to finance it. What we do is leverage a small amount of dollars, for education or training, to help them have a greater impact in the community.”

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While the work in Idaho is just getting off the ground, evidence from the Lakota Fund in South Dakota shows that microenterprise can help to improve economic indicators in rural communities and on tribal lands. The Lakota Fund was one of the first attempts to promote microenterprise as a community development strategy in the United States, targeted largely at residents of the Pine Ridge Reservation. Over the past twenty years, the Lakota Fund has invested over \$3 million in reservation entrepreneurs, mostly in small loans ranging from \$1,000 to \$75,000. These loans have helped to catalyze economic development on the reservation. While poverty and unemployment remain high, income growth in the surrounding county has been double that of South Dakota since 1985, and its 80 percent growth in employment was the second fastest of all the counties in the state.⁷

Like most entrepreneurs, Aragawi still is happy with his decision to go into business for himself. As he read an early draft of this article, he laughed and noted, “Did I make it sound so hard?” not realizing I would focus so much on the financial difficulties of running a business. He’s also particularly interested in the argument that entrepreneurship can help low-income and rural areas maintain their cultural and historical integrity. “Sense of place. That’s what my shop provides, and why I keep the business even if it’s not making money. You walk in and it smells like Ethiopia. It’s my place.” In the end, it seems that entrepreneurship is as much about building individual and community identity as it is about building wealth, and finding ways help to sustain those business owners who are following their dreams is part and parcel of generating vibrancy in areas left behind. 

COMMUNITY INVESTMENTS

Endnotes

Small Business: An Overview

- 1 SBA Office of Advocacy (2005). "SBA by the Numbers."
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Box 1.2

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- 1 Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) (2005) "Funder Guide #2:" 1. Poverty data: www.census.gov/prod/2005pubs/p60-229.pdf; unemployment data: www.bls.gov/cps/home.htm; data on the unbanked: Katy Jacob, "Utilizing Partnerships to Test Emerging Market Strategies: A Case Study of H&R Block Initiatives in Five Cities", Center for Financial Services Innovation, July 2005, www.cfsinnovation.com/managed_documents/blockpaper.pdf; data on asset ownership: Ray Boshara, Reid Cramer and Leslie Parrish, "Policy Options for Achieving an Ownership Society for All Americans, New America Foundation." Asset Building Program, *Issue Brief #8*, February 2005, www.newamerica.net/Download_Docs/pdfs/Doc_File_2224_1.pdf.

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- 4 Clark, Peggy and Amy Keys (1999). Microenterprise and the Poor: Findings from the Self-Employment Learning Project, a Five-Year Survey of Microentrepreneurs, 1999, (2001).
- 5 Else, John. *The Role of Microenterprise Development in the United States*, published in cooperation with AEO.
- 6 Ibid.

Box 2.1

- 1 Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) (2005). "Funder Guide #1".

Box 2.2

- 1 Microenterprise Development Fact Sheet, AEO: www.microenterpriseworks.org.

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- 1 Edgcomb, Elaine and Joyce A. Klein (2005). "Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States." Aspen Institute. See also, Margaret Sherrard Sherraden, Cynthia K. Sanders, and Michael Sherraden (2004). *Kitchen Capitalism: Microenterprise in Low-Income Households*. State University of New York Press: Albany, NY.
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Delivering Financial Return and Community Results: Pacific Community Ventures

- 1 PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree Survey, available at www.pwcmoneytree.com/moneytree/index.jsp.